



Predictive Metrics Best Practice

***Harnessing the Power of Predictive Metrics***  
***A Real-Time Tool for Achieving Long Term Success***

**Association for Strategic Planning  
Annual Conference**

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## If you want better results, stop measuring results

- Do you lose weight by simply weighing yourself?
  - Or do you measure key drivers that influence the outcome of weighing yourself?
- The best program for sustained weight loss is Weight Watchers
  - Weight Watchers uses a predictive metric – the number of points consumed per day
  - If followed, a gradual, but sustained weight loss will result
- Why not follow this principle for strategic planning when it makes so much sense for personal goals?



Not This



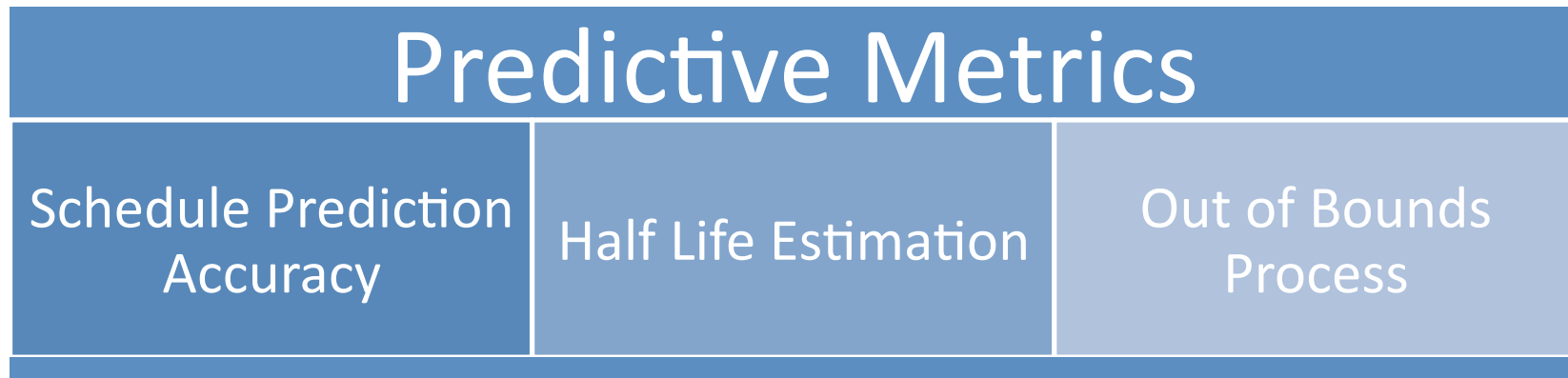
This!

*For better results, STOP measuring results*

## Best Practices

*(how to succeed in the long-term, when you live in a short-term world)*

- Predictive metrics: manage change by measuring behavior
  - Alignment to corporate goals
  - Set targets
    - Schedule Prediction Accuracy – How to predict failure to execute based on extrapolation
    - Half Life Estimation – How to estimate how long it will take to execute a change management initiative to support strategic transformations
  - Manage Exceptions
    - Out of Bounds Process – Best in Class exception management tool



# The Wrong Metrics Are Producing The Wrong Results

*Companies are using the wrong metrics to drive their strategic initiatives.  
And the most common reason companies don't meet their corporate objectives...*

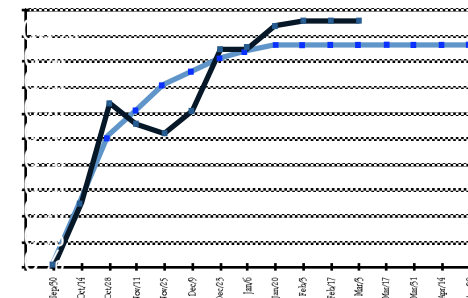
## ***Failure to execute on their strategic initiatives***

- Frequently poor performance is discovered too late, and can't be corrected fast enough.
- Too many times we measure what is easy to measure, or what we are good at, not what we need to measure.
- Meeting strategic objectives requires constant short-term achievement.
- *“Performance management is the single most powerful mechanism at management’s disposal to enhance the probability of successful implementation.” - Measure Up (Lynch)*

|                       |        |
|-----------------------|--------|
| Testing Consolidation | Green  |
| Manager Productivity  | Green  |
| Project Management    | Yellow |
| Kaizen                | Green  |
| Next Initiative (TBD) | Red    |

Not This

*What's the solution?  
Predictive Metrics*

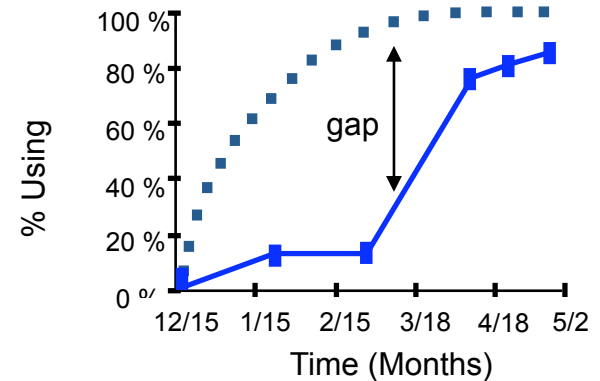


This!

## What are “Predictive Metrics”?

**Definition:** *The measurement of a key driver or initiative, which if executed correctly, will lead to the achievement of corporate goals*

- Defined with quantified targets.
- Measured early & often (days/weeks)
- Simple, lightweight and easy to deploy
- Demonstrates that change is being implemented



### Example:

- Corporate Goal: Increased Percentage Revenue from New Products
- Key Driver: Creating winning designs
- Problem: Marketing does not get the right input from the customer into engineering
- Predictive metric: Percent Marketing Requirement Documents written at the Concept Review.

***Predictive metrics is the tool to ensure long-term success in a short-term world***

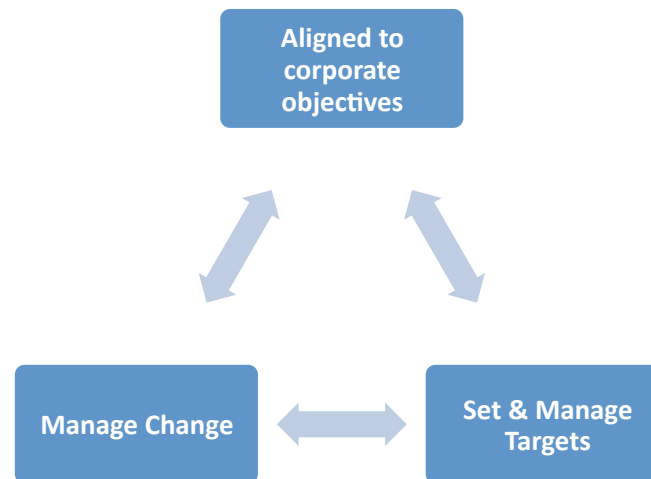
## Predictive Metrics... Where do you focus?

*Most companies suffer from “metrics fatigue” – too many, and not the right ones.*

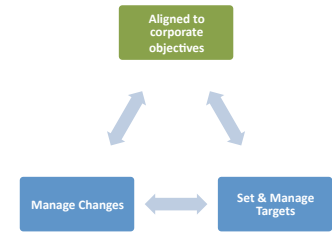
*Predictive metrics allows you to identify & focus on the **vital few** that will inform you of your performance to plan, and allow you to quickly course correct.*

Predictive metrics allow you to focus on what’s right to measure, not what’s easy.

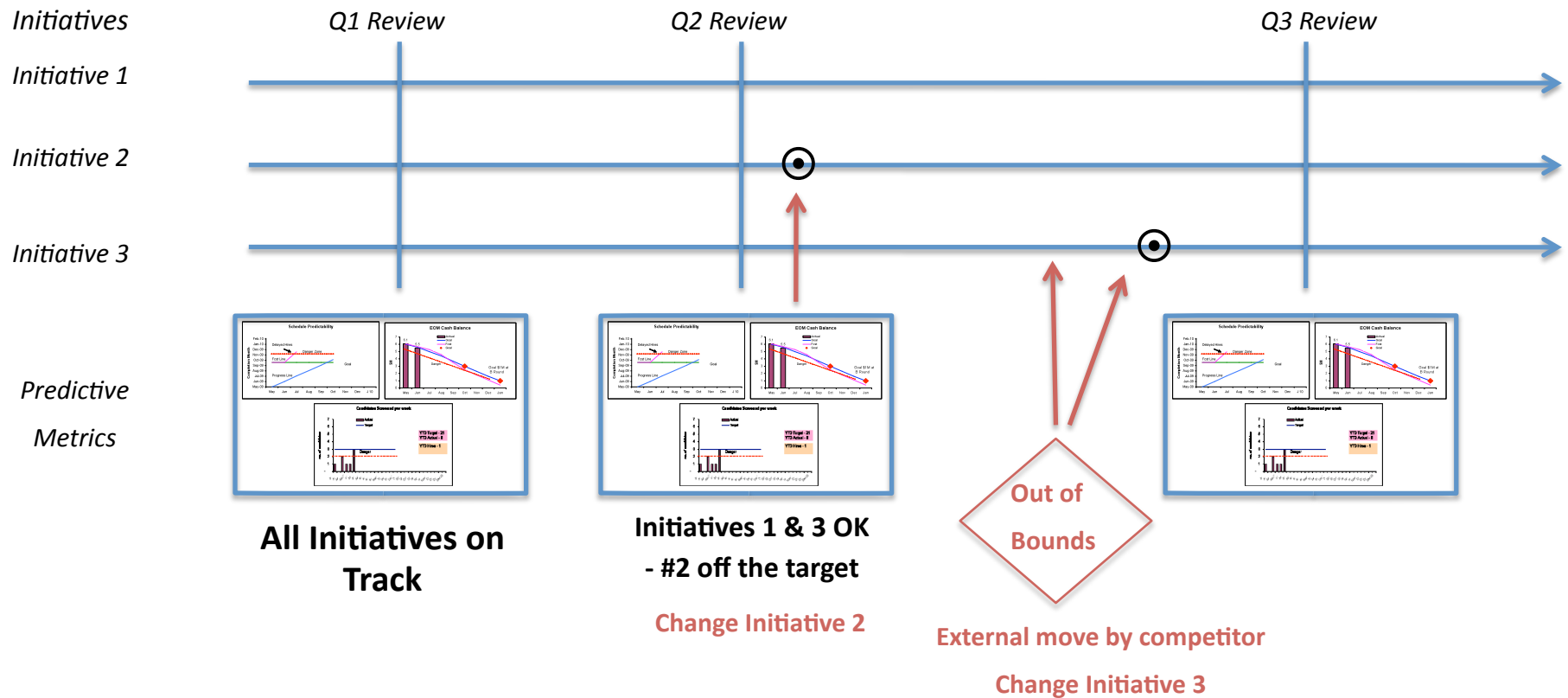
- ✓ Aligned to corporate objectives
- ✓ Set and Manage Targets
- ✓ Manage Course Correction



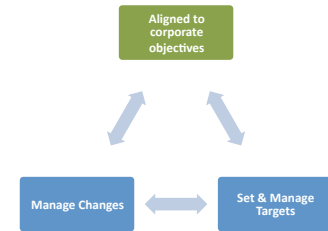
# Aligning Predictive Metrics to Strategy



## Quarterly Executive Review



## EXAMPLE: Where to Focus - "A" Round

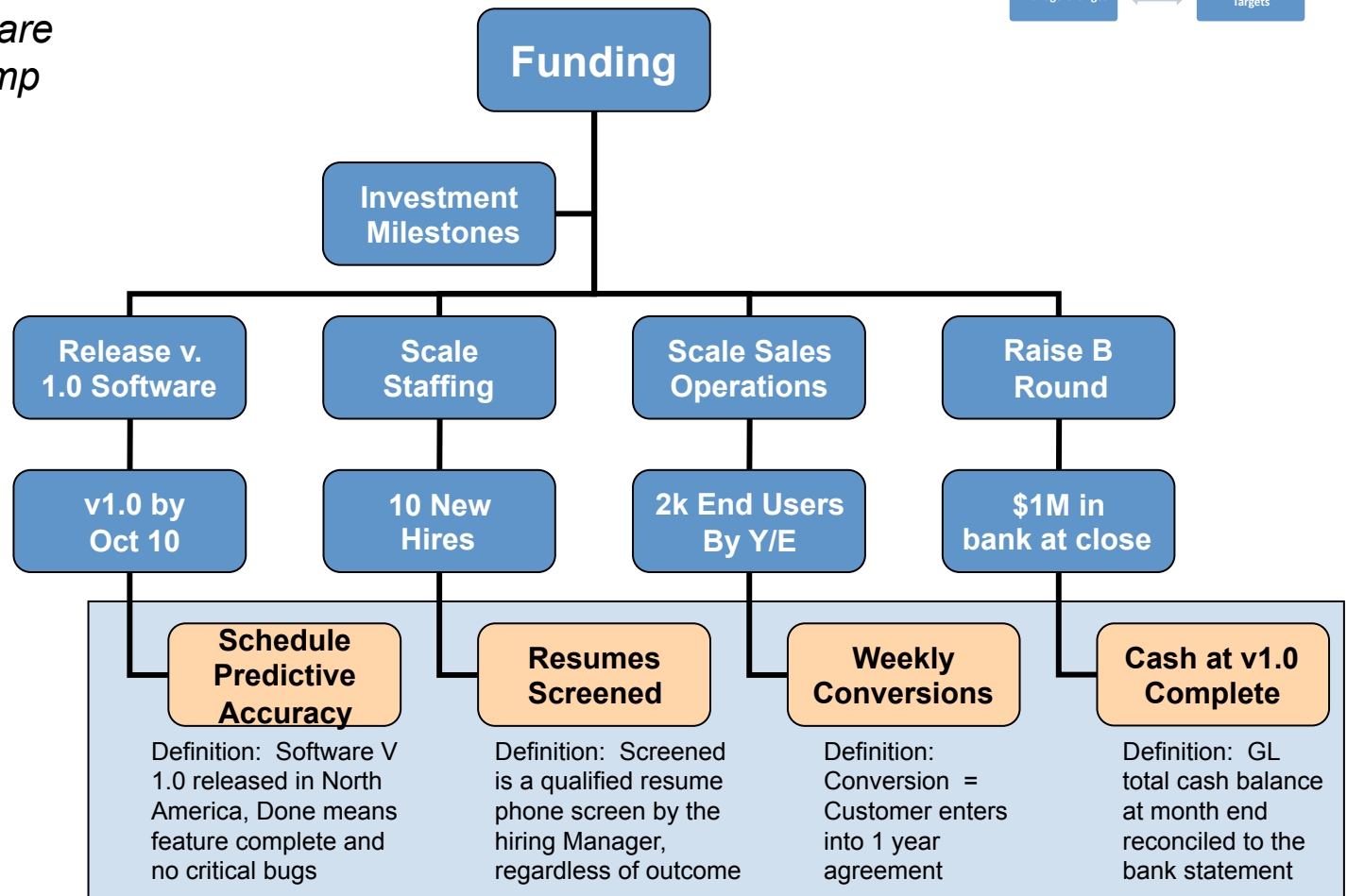


*Goal: Release software and start revenue ramp*

*These are the KEY DRIVERS that were derived from the "use of proceeds"*

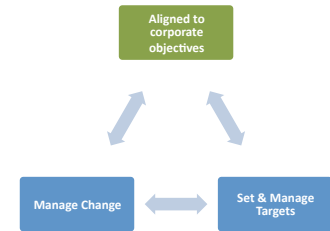
*These are the INITIATIVES that lead to these goals*

*Four PREDICTIVE METRICS that measure progress towards the goals*

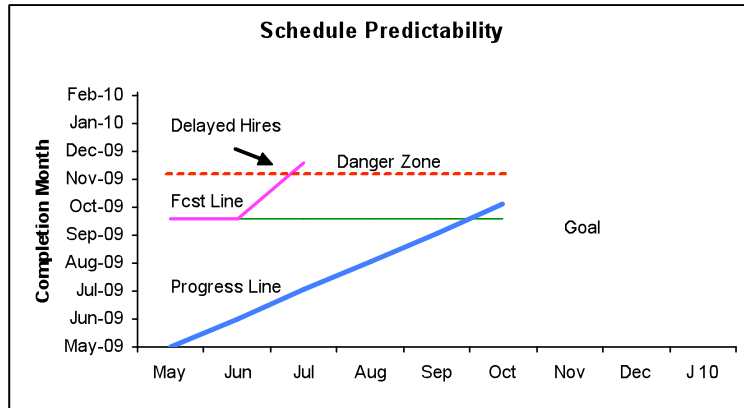


## ***Positioning for Long-Term Success in a Short-Term World***

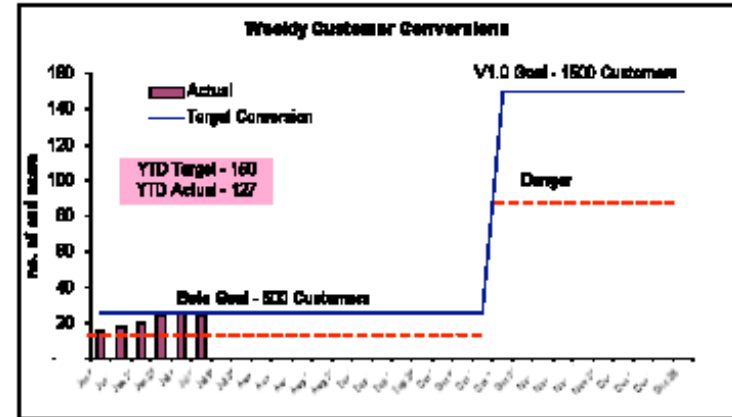
# Predictive Metrics Dashboard



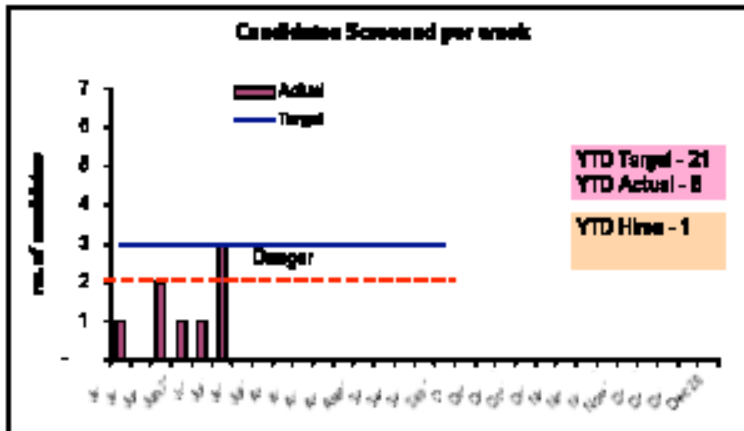
## SCHEDULE SLIPS



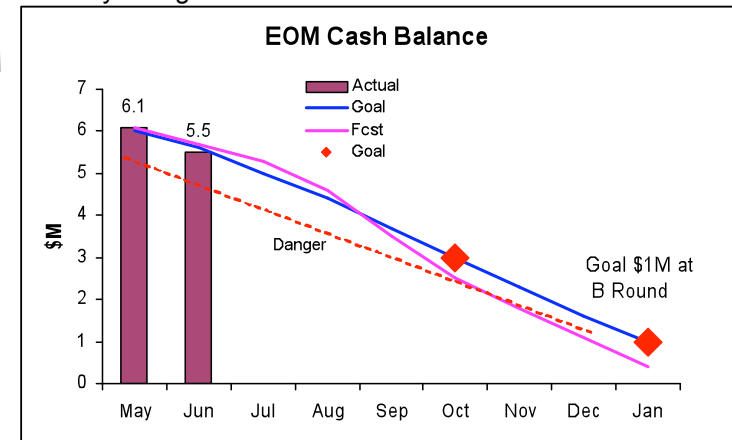
Definition: Software V 1.0 released in North America, Done means feature complete and no critical bugs



Definition: Conversion = Customer enters into 1 year agreement



Definition: Screened is a qualified resume phone screen by the hiring Manager, regardless of outcome



Definition: GL total cash balance at month end reconciled to the bank statement

## LATE HIRES

## HIGHER CASH NEEDS

## Workshop: Defining Predictive Metrics

### Example

- Start with high order objectives
  - Increase Profit
  - Grow Revenue
  - Improve Customer Satisfaction
- From the objectives, determine drivers for increasing profit
  - Have vendor cost reduce product
  - Reduce Overhead
  - Redesign for Lower Cost
- Initiative
  - Implement a Producer Price Variance (PPV) program that current vendors must support
- Predictive Metric
  - Percent of the top 20 vendors that have a signed off PPV program

### Workshop

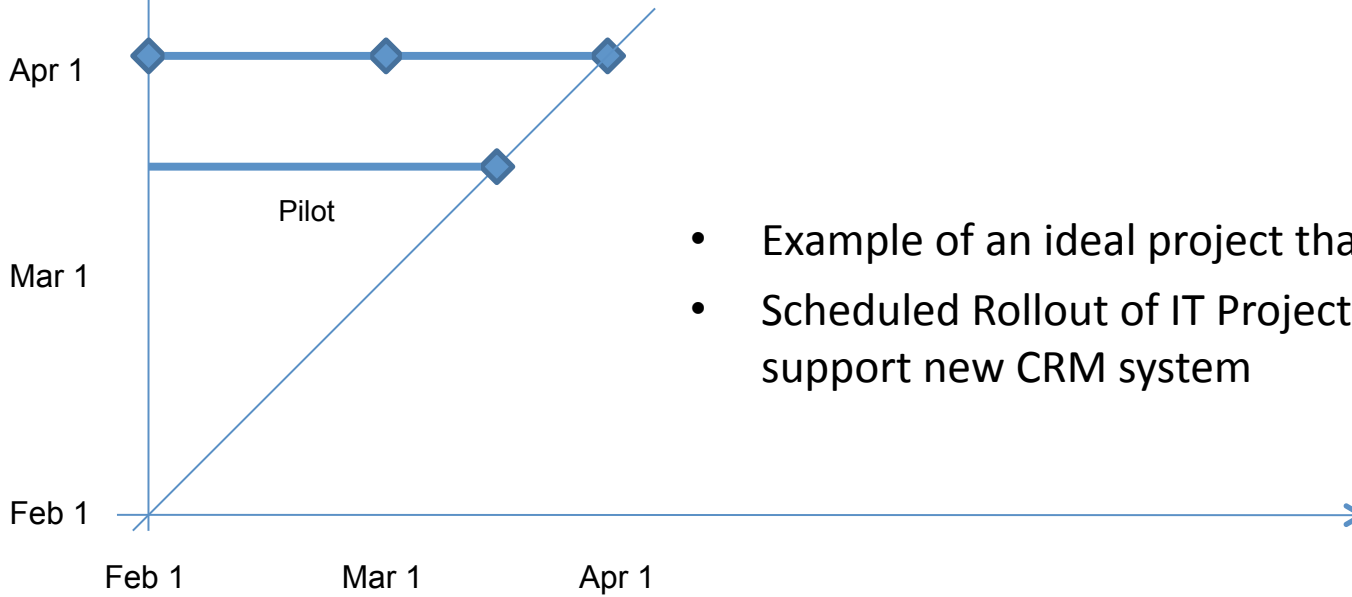
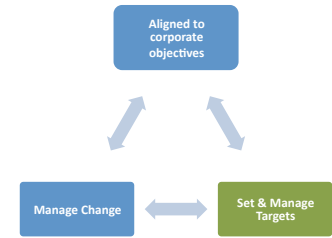
*Now... let's try Improving Customer Satisfaction*

*Drivers?*

*Initiatives?*

*Predictive Metrics?*

# Schedule Prediction Accuracy



- Example of an ideal project that never slips
- Scheduled Rollout of IT Project “Hoover” to support new CRM system

IT Project Hoover Schedule  
Feb 1, 2010

Start Feb 1, 2010  
Pilot Mar 15, 2010  
Rollout 1.0 Apr 1, 2010

IT Project Hoover Schedule  
Mar 1, 2010

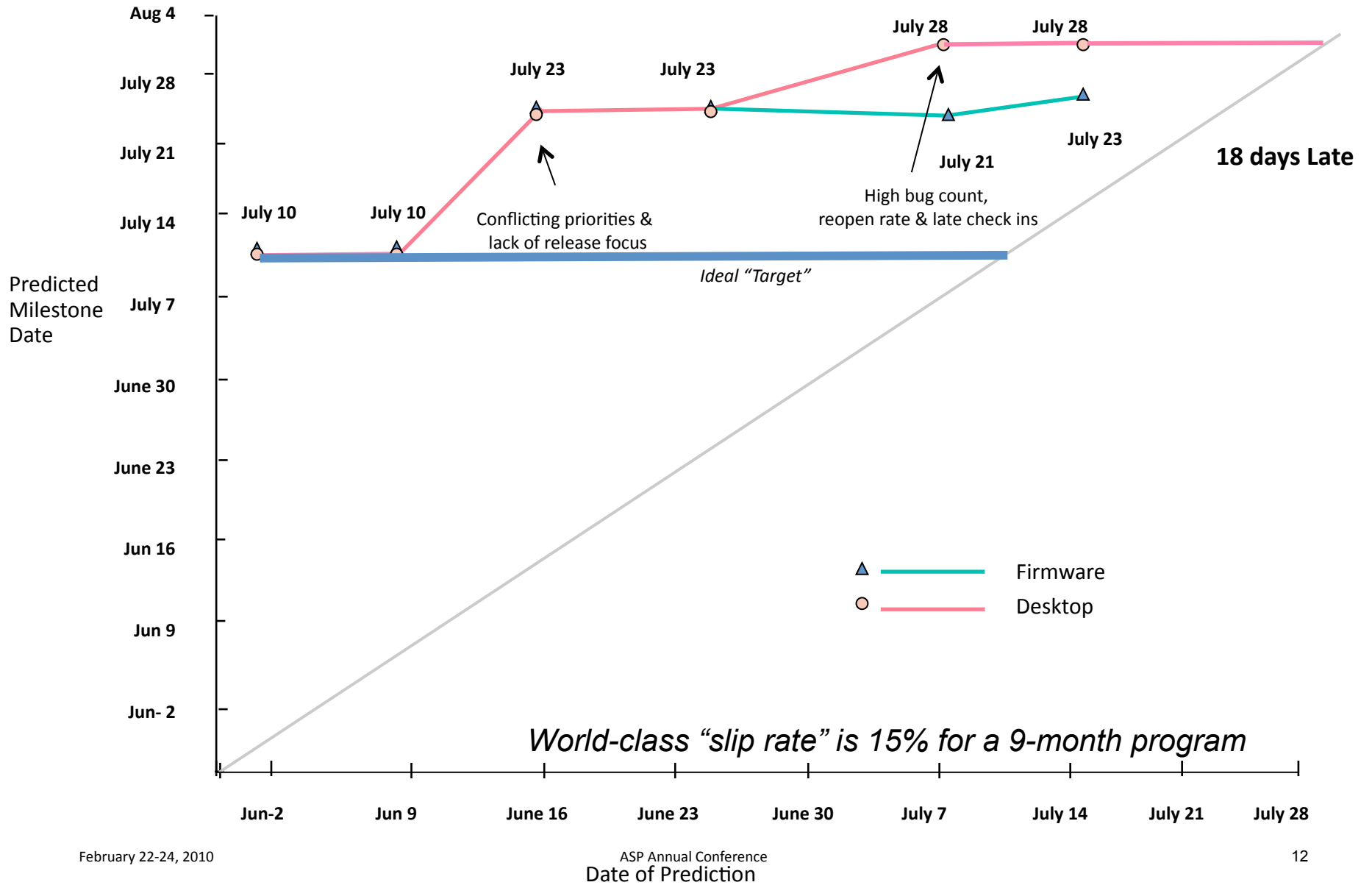
Start Feb 1, 2010  
Pilot Mar 15, 2010  
Rollout 1.0 Apr 1, 2010

IT Project Hoover Schedule  
Apr 1, 2010

Start Feb 1, 2010  
Pilot DONE!  
Rollout 1.0 Apr 1, 2010 (Done!)

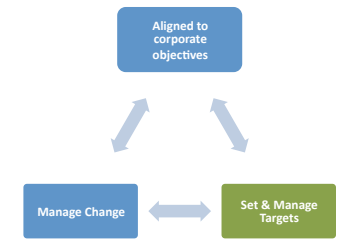
**Celebration at 5:00 TODAY!**

# Schedule Prediction Accuracy: Software Release

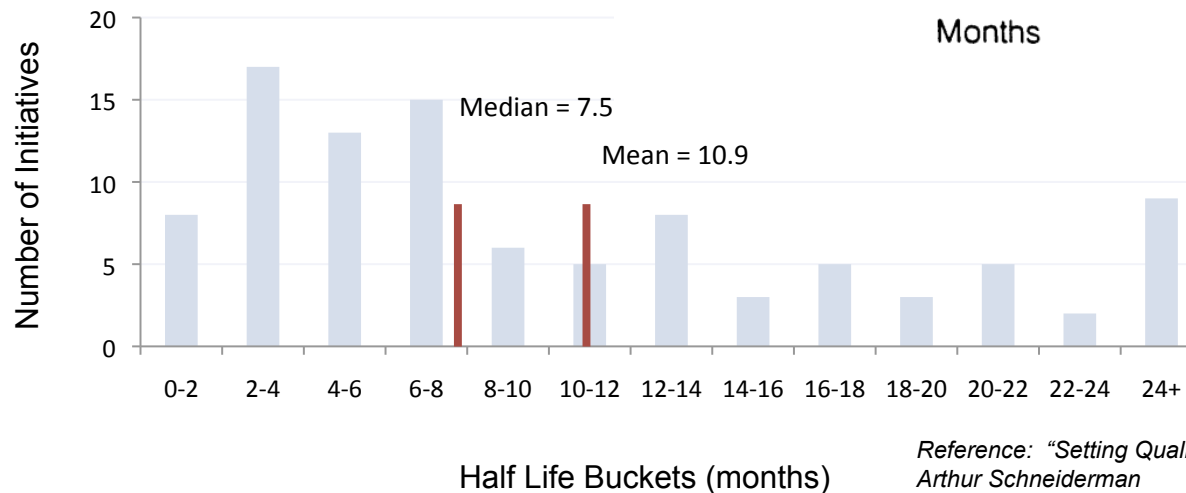
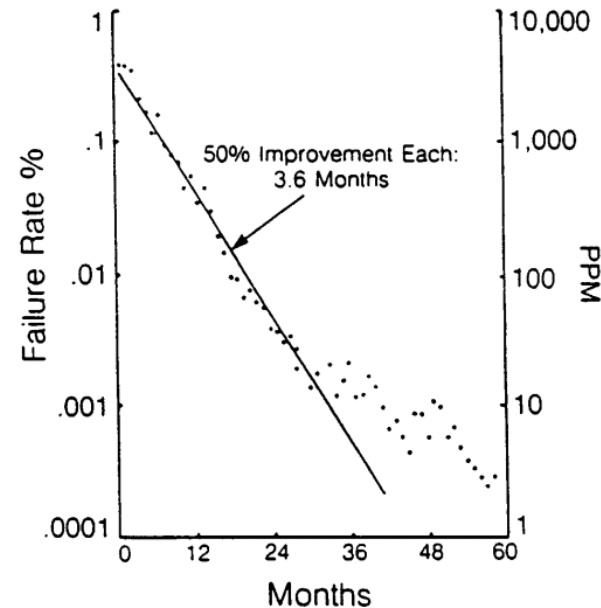


# Half Life Principles

- How fast does one expect to change?
- It depends on many factors including urgency, simplicity, number of dependencies (people, process, or technology) and the organizational scope
- Art Schneiderman, VP of Quality at Analog Devices performed a survey of nearly 100 improvement initiatives

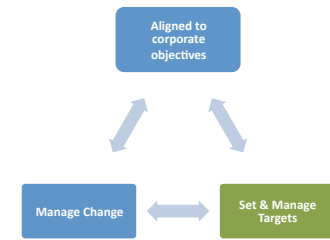


Example of Continuous Improvement



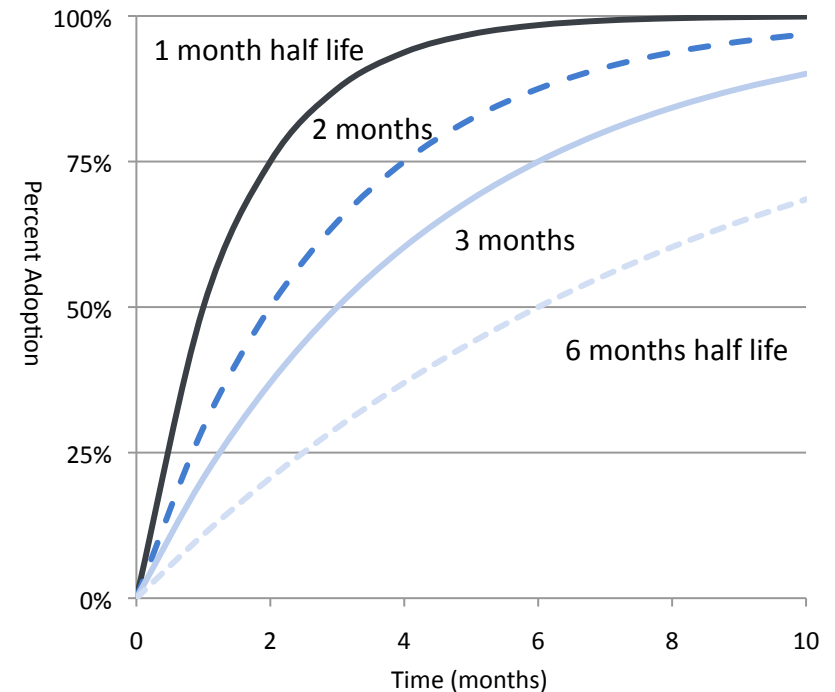
Reference: "Setting Quality Goals" Quality Progress, Arthur Schneiderman

# Rule Of Thumb For Improvement Goals

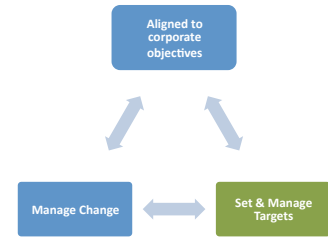


- Use the chart below to estimate how many months it will take to increase the frequency of use by a factor of two from the current level – this is “half life”
- Use guidelines when no other means exists to determine rate of improvement

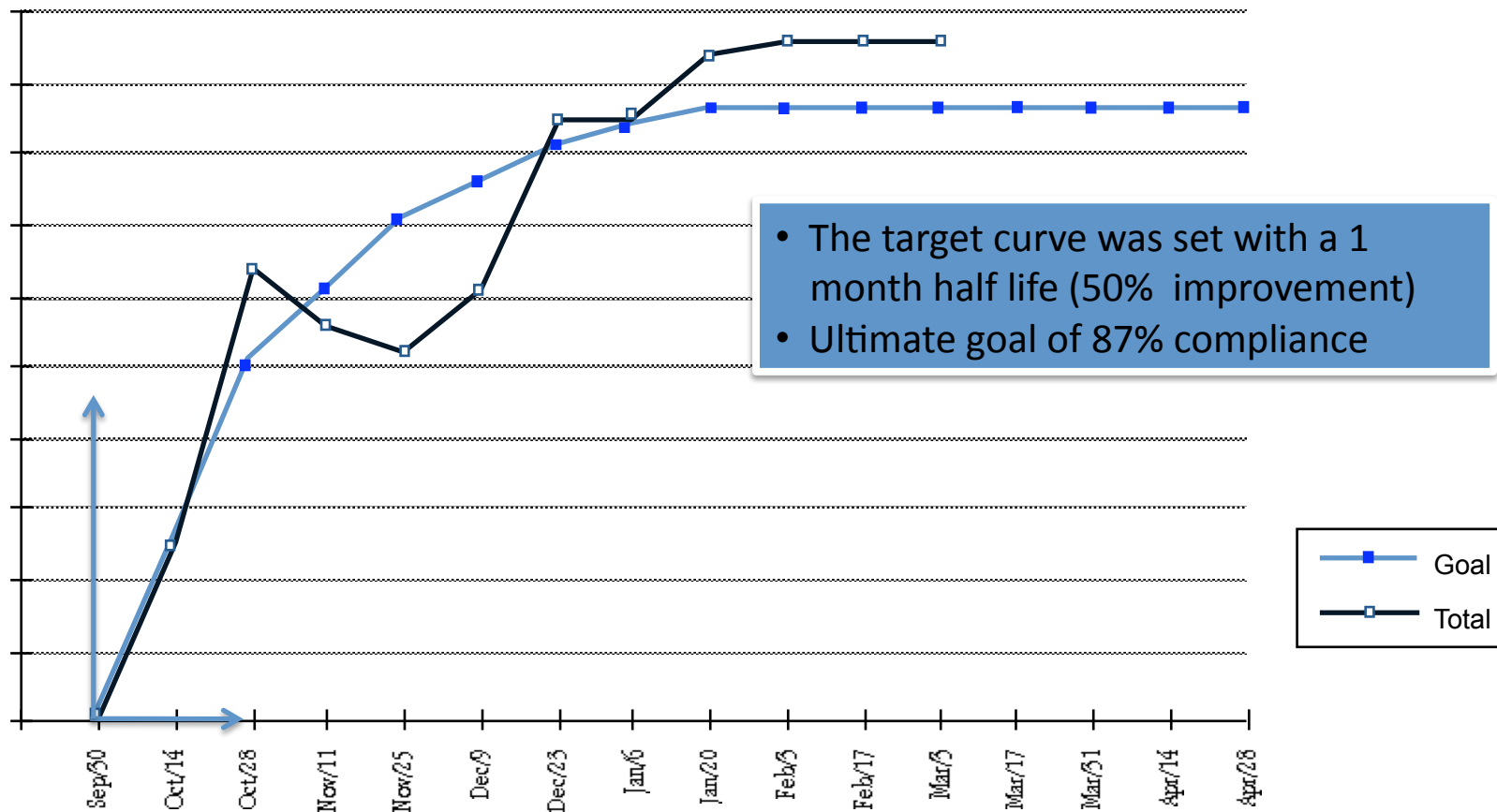
|                           |                                  | Technical complexity |        |      |
|---------------------------|----------------------------------|----------------------|--------|------|
|                           |                                  | Low                  | Medium | High |
| Organizational complexity | High (w/ customers or suppliers) | 14                   | 18     | 22   |
|                           | Medium (cross functional)        | 7                    | 9      | 11   |
|                           | Low (within function)            | 1                    | 3      | 5    |



## CASE STUDY: Leading Silicon Valley Technology Firm Managing Change by Measuring Behavior



- Phase Review Implementation Over Time
- Percentage of schedules that used the new nomenclature and had the next phase review scheduled



## Workshop: Determining Half Life

### Example

- Start with Strategic Imperative
  - Increase profit
  - Grow Revenue
  - Improve Customer Satisfaction
- From the objectives, determine drivers for increasing Profit
  - Have vendor cost reduce product
  - Reduce overhead
  - Redesign for Lower Cost
- Initiative
  - Implement a Producer Price Variance (PPV) program that current vendors must support
- Predictive Metric:
  - Percent of the top 20 vendors that have a signed off PPV program
- Half Life
  - We should have a half life of 6 months and expect to see 75% of the vendors complying in 12 months

### Workshop

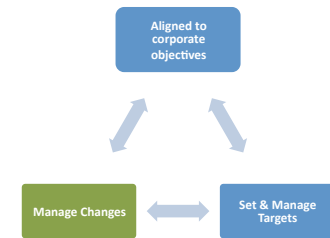
*Now... lets try Implementing a Customer Service Initiative*

*Drivers?*

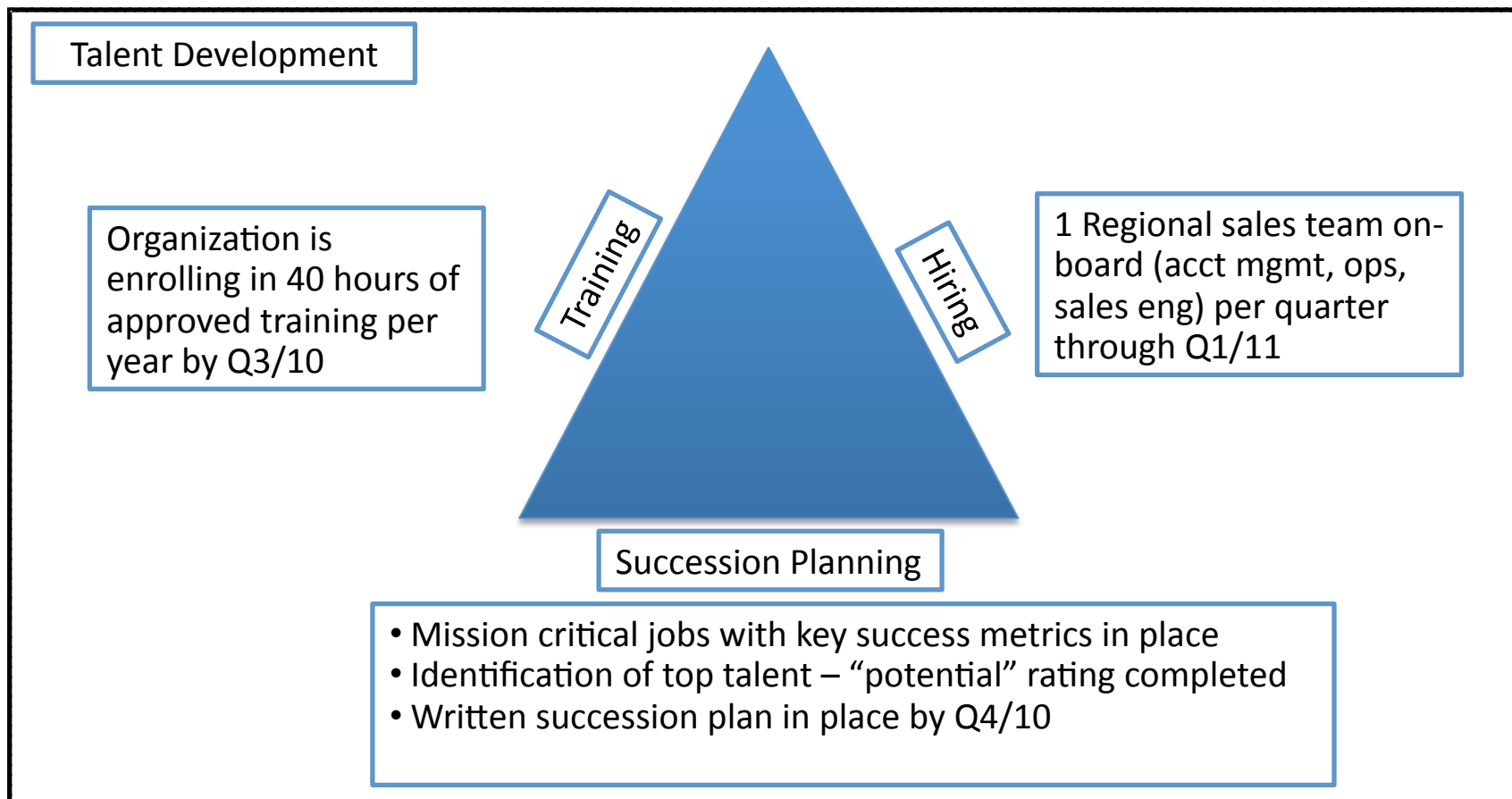
*Initiatives?*

*Predictive Metrics?*

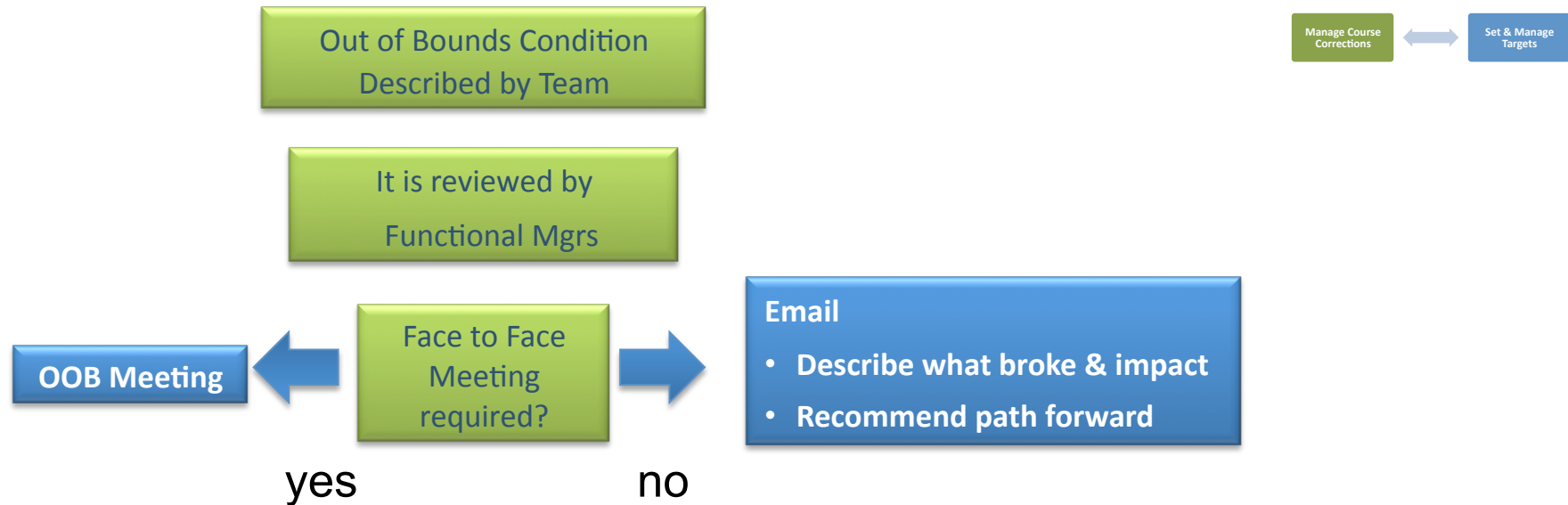
*Half Life?*



An Out of Bounds process quickly identifies when programs are in trouble, and provide a mechanism for quick remedy.



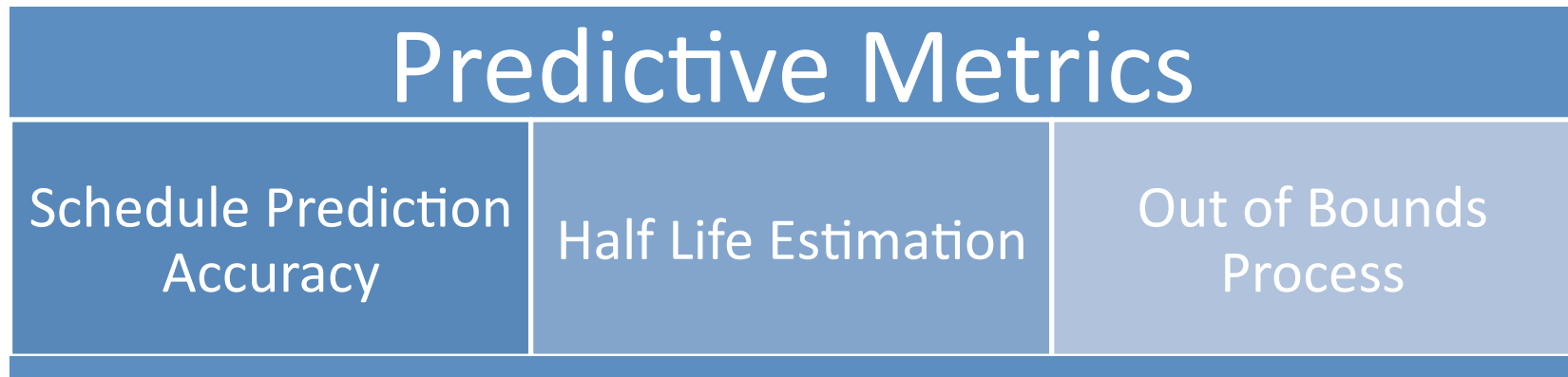
## Out of Bounds Process



- In the Concept Review, the boundary conditions are described
- The team (typically the project manager) monitors the project relative to these conditions
- If the boundaries are “broken” then the project manager notifies management
- The management group reviews the recommendation and approves, modifies, or resets the program

## Best Practices

- Manage change by measuring behavior
  - Predictive Metrics – If you want better results, stop measuring results
  - To get results, you need to set targets (half life, schedule prediction accuracy)
    - Schedule Prediction Accuracy – How to predict failure to execute based on extrapolation
    - Half Life Estimation – How to estimate how long it will take to execute a change management initiative to support strategic transformations
  - ...And then you need a management mechanism to course correct
    - Out of Bounds Process – Best in Class exception management tool





Questions?

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